

Myanmar Business Environment Index (MBEI) COVID-19 IMPACT ON BUSINESSES: A SUMMARY

May 29, 2020



The Asia Foundation



Introduction

In order to better understand the economic impact of COVID-19 in Myanmar, The Asia Foundation carried out a nationwide telephone survey of businesses in Myanmar between April 28 and May 10, 2020 to see how the pandemic has affected businesses' profitability, workforce, and access to finance, as well as how businesses have benefited from some government policies. The survey was conducted as part of the Myanmar Business Environment Index (MBEI) project, which, by the start of the COVID-19 outbreak, had already conducted two national surveys. This COVID-19 survey uses elements of the most recent MBEI survey (MBEI 2020) to assess changes in the business environment since February 2020. All elements of MBEI are funded by UK Aid through the DaNa Facility.

Key Findings



Of the 750 enterprises surveyed, **29 percent** had completely closed at the time of the survey.



Ninety-two percent of enterprises reported lower sales due to COVID-19, with **74 percent** facing sharp declines of more than half of normal sales.



Profitability of enterprises declined, with only **22 percent** being profitable compared to 55 percent in the MBEI 2020 survey, conducted between November 2019 and February 2020.



Businesses had laid off on average **16 percent** of their employees due to COVID-19.



Half of enterprises report business survival at moderate or high risk; with garments and textiles, and accommodation being at particularly high risk.



Most businesses were **not aware of the government support programmes** for enterprises impacted by COVID-19, implying that more intense efforts at awareness raising may be required.

- The two main reasons for reducing operations or closing were employee safety and lack of customers due to COVID-19.
- Travel restrictions have highly impacted accommodation, food and beverage, and manufacturing enterprises.
- National level estimates of additional cash flow requirements to September for enterprises amount to around MMK 900 to 2,100 billion (USD 0.6 to 1.5 billion or 0.7 percent to 1.7 percent of GDP).
- No degradation of infrastructure services could be seen for telephone, electricity, or water.
- Microfinance played an important role in financing enterprises through the early stages of the COVID-19 crisis, with its share of businesses' latest loans increasing from 25 percent in the MBEI 2020 to 51 percent in the COVID-19 survey.
- The resulting higher interest rates resulting from increased lending from microfinance institutions enhance the importance of the flexibility of loan products and tailor-made COVID-19 products from government and private banks.
- Seventy-one percent of businesses have concerns about repayment, but 82 percent of those that had discussed rescheduling had been able to reach an agreement with their lender.
- Ninety-two percent of enterprises reported being satisfied with the response of the union government, with a similarly high level of satisfaction with state/region government, and the township General Administration Department (GAD).
- The COVID-19 pandemic has not had a significant impact on crime at the national level.
- Almost all businesses reported practicing some measures to protect their employees and customers from COVID-19.

Recommendations

- Increase publicity of government policies and schemes that support businesses, in order that more eligible businesses are aware of and able to benefit from them.
- Ensure that frontline government officials have a good understanding of these policies and schemes, with appropriate and clear decision-making power, in order to put them into practice in a transparent and uniform manner.
- Explore ways for government and private banks to offer suitable loan solutions that address the business needs of having operating capital to overcome COVID-19.
- Encourage businesses and banks to actively seek an agreement to restructure loan interest and principal payments.
- Assess the adequacy of the government COVID-19 Economic Relief Plan in supporting employees who have lost their jobs and explore additional or better ways of targeting these employees.
- Continue monitoring the situation. To support the government with this, The Asia Foundation is planning to repeat this COVID-19 survey to find out how the situation has changed once the economy starts to revive.

This is a summary of the full report titled *"COVID-19 Impact on Businesses: A Survey"*.

To request copies of the report, please contact country.myanmar.communications@asiafoundation.org.